



Iowa General Assembly

2004 Committee Briefings

Legislative Services Agency – Legal Services Division

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SCHOOL FINANCE FORMULA REVIEW COMMITTEE

Meeting Dates: [December 16, 2004](#) | [November 23, 2004](#) | [August 24, 2004](#)

Purpose. *This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <http://www.legis.state.ia.us>, or from the agency connected with the meeting or topic described.*

SCHOOL FINANCE FORMULA REVIEW COMMITTEE

December 16, 2004

Cochairperson: Senator Nancy Boettger

Cochairperson: Representative Jodi Tymeson

Overview. The third and final meeting of the School Finance Formula Review Committee was held on Thursday, December 16, 2004. Dr. Lee Tack, Administrator, Financial and Information Services Division, Iowa Department of Education, reviewed a packet of information which listed options for school finance formula changes. Committee members caucused during a working lunch and returned to the full Committee in the afternoon to discuss and finalize recommendations for school finance formula changes.

Options for School Finance Formula Changes. During the Committee's second meeting, Dr. Tack was invited to prepare options for school finance formula changes for the Committee's consideration. The options included the following topics: increasing foundation level/increasing uniform levy, English Language Learners (ELL), additional funding for transportation, instructional Support Program, additional dropout/dropout prevention funding to the school foundation aid formula, and eliminate/reduce special education deficit. The packet of information Dr. Tack distributed to members listed the options, contained spreadsheets demonstrating the effect implementation of the options would have on the state's school districts, and included information on the planned use of modified allowable growth funds as reported by districts to the School Budget Review Committee, and a record of the funds generated through supplemental weighting based upon students in grades 9-12. In response to questions, Dr. Tack provided more detailed information.

English Language Learners. On average, school districts that have ELL programs only generate approximately 50 percent of the funds needed to pay for the programs. The students populating ELL programs are changing - students are arriving in the school districts at ages 8, 10, or even 12 with no educational experience. These students often remain in ELL programs longer than the three years during which they qualify for additional weighting. School districts would like a longer period of student eligibility. Less than half of Iowa's school districts seek authorization for additional allowable growth from the School Budget Review Committee (SBRC), but those that do have significant costs.

Transportation. Dr. Tack reiterated that because transportation funding often comes at the expense of a school district's educational program, school districts have already done a great deal to economize and increase efficiencies, including using the appropriately sized bus for a route. A number of school districts use private providers, resulting in fewer headaches, but not necessarily savings. The General Assembly once allocated funding to the SBRC for distribution to school districts paying transportation costs over the statewide average. However, the SBRC could not settle on an evaluation measure that would ensure an equitable distribution and ultimately returned the funding.

Dropout/Dropout Prevention. A correlation exists between poverty levels and dropout rates. However, though the per pupil amount for dropout and dropout prevention programs is arrived at using figures generated by the number of students qualifying for free and reduced price meals in grades one through six, the moneys are used by school districts to help the students who need the programs, not just those students who qualify for free and reduced price meals. The SBRC bases its decisions on recommendations submitted by the department, which reviews program budgets and determines an

approved level of funding based on a formula and the program needs, not on the poverty rate. To base funding on the number of students served by a program would penalize successful programs.

Special Education. The special education deficits are not necessarily higher in poor districts. Often, the deficits are tied to the highly qualified and experienced staffs, which are better able to identify special education needs. Special education funding prior to the late 1980s was provided "on-time," or in the year in which the students were counted. The deficit materialized when the formula moved from an "on-time" basis to one in which the student is counted in one year, and funding generated by that count is provided to the school district in the following year. The lower the percentage set for allowable growth, the higher the deficits. Identification of a student as a child requiring special education is an elaborate process that involves families, district personnel, and area education agencies. Dr. Tack indicated that in his experience, a student is identified based upon the student's needs, not on the school district's need for the additional weighting such a student generates.

The Committee complimented Dr. Tack for his work, who in turn praised the work of Mr. Shawn Snyder, chief of the department's Bureau of Planning, Research and Evaluation, who greatly aided in compiling the information for the Committee.

Committee Discussion. Cochairperson Tymeson asked members to review the list of possible recommendations mailed to members by Mr. Richard Nelson of the Legal Services Division. Cochairperson Boettger noted the Governor's stated priority of making high schools significant. She stated her intention that members use the lunch hour to caucus. Senator Connolly opined that the recommendations should be presented in rank order, and the members agreed. After lunch, Cochairperson Boettger shared copies of the list her caucus compiled. Senator Connolly, speaking for his caucus, proposed recommendations selected from Dr. Tack's options.

Recommendations. The recommendations unanimously approved by the Committee are summarized as follows:

- Increase the foundation level to 100 percent over the next seven years - consider tax increment financing (TIF) reform and adjusting the uniform levy.
- Phase out, or require voter approval every 10 years for, seldom used levies.
- Require the Department of Management to facilitate a dialogue to resolve TIF issues.
- Provide state funding of up to 50 percent of district costs that exceed the statewide transportation average.
- Remove barriers for partnerships between secondary and postsecondary institutions to increase opportunities for students (including barriers for usage of the Iowa Communications Network), and require school districts to publicize the Postsecondary Enrollment Options Act (Iowa Code Chapter 261C).
- Increase the state aid amount under the Instructional Support Program over multiple years, eventually building the amount into the school aid formula.

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SCHOOL FINANCE FORMULA REVIEW COMMITTEE

November 23, 2004

Cochairperson: Senator Nancy Boettger

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Community College Sharing Programs.

- Dr. L. Gene Gardner, Iowa Association of Community College Trustees, and Dr. Michael C. Morrison, President, North Iowa Area Community College (NIACC), discussed the variety of sharing programs being undertaken between kindergarten through grade 12 school districts and community colleges. Dr. Morrison distributed a progress report focusing on evolving into a more seamless delivery system for students who are between the senior year of high school and postsecondary education. The report concludes that postsecondary enrollment option (PSEO) students are academically capable and enter courses with higher ability levels than traditional college students, quality control studies involving the assessment of student outcomes for regional academy and PSEO courses versus traditional courses were equal, and that tech prep programs offer a number of advantages for high school students and allow the state to recover cost savings in state general aid.
- Dr. Morrison and Dr. Gardner advocated several recommendations relating to community college and high school partnerships. Recommendations relating to funding included increasing state general aid, providing greater flexibility in raising operating funds in local districts, providing a sustainable technical education revenue source, and reinstating funding for instructional program equipment. It was also recommended that supplemental weighting for sharing programs be protected and the restriction prohibiting supplemental weighting for Iowa Communications

Network or Internet educational programming be removed, that restrictive language relating to similarly named courses offered by both a high school and as a postsecondary course be eliminated, that school districts be held to a requirement that they report efforts to publicize the existence of postsecondary enrollment options courses, that vocational-technical education grants be increased, that community college entrepreneurship centers be developed across the community college system, and that recommendations by the Iowa Learns Council relating to postsecondary education opportunities be implemented.

- Dr. Lee Tack, administrator, Financial and Information Services Division, Iowa Department of Education, provided information relating to the types of supplementary weighting available for sharing programs, how supplementary weighting is calculated and how much funding it generates, and how supplementary weighting can be distinguished from postsecondary enrollment options courses.
- Committee discussion included the extent to which other community colleges are replicating NIACC's approach, increasing student participation levels prior to an increased funding commitment, encouraging private sector partnerships, and the impact of rising tuition levels and the extent of local funding commitments.

School Budget Review Committee. Ms. Judy Jeffrey, Director, Iowa Department of Education, accompanied by Mr. Dennis Dykstra, administrative consultant, Iowa Department of Education, and Dr. Lee Tack, summarized the statutory basis for and authority of the School Budget Review Committee (SBRC), and how special education rates are established. Committee members discussed the concern that SBRC assistance in the form of authorizing additional allowable growth can create a disincentive on the part of low-property-tax-valuation districts to make needed requests, leading to a disparity in comparison to high-property-tax-valuation districts.

Property Tax Valuation. Mr. Dick Stradley, property tax administrator, Iowa Department of Revenue, provided an overview of the property tax valuation methodology used in the state. Mr. Stradley summarized the amount of revenue generated through property taxes, the breakdown in distribution of the revenue, and the primary sources for revenue generation. He also summarized the development and calculation of the productivity assessment method for agricultural realty, discussed the impact of increasing the uniform levy, and described the effect of opening or closing a large industrial operation on property tax valuation levels as an example of districts which may be transformed from low- to high-property-tax-valuation districts, or from high- to low-property-tax-valuation districts.

Transportation. Dr. Lee Tack, accompanied by Mr. Max Christensen, Executive Officer for Transportation, Iowa Department of Education, related information regarding overall state transportation costs and the wide degree of variation in per pupil costs across school districts. Dr. Tack reported that the total cost of transporting students to and from school based upon a FY 2002-2003 report was approximately \$89 million, with a range from approximately \$1 per student enrolled to approximately \$618 per student enrolled. Mr. Christensen indicated that districts have flexibility regarding vehicle utilization for transportation purposes, and that some districts operate in cooperation with municipal or regional transit authorities. Committee discussion included the options of state aid covering a specified percentage of transportation costs above the state average, providing a designated amount of financial assistance to school districts, approaches being utilized in other states, and the extent to which excessive transportation costs impact educational adequacy arguments.

Dropout and Dropout Prevention Programs. Mr. Ray Morley, Bureau of Instructional Services, Iowa Department of Education, and Dr. Lee Tack discussed dropout and dropout prevention from both a funding and programmatic standpoint. Dr. Tack presented modified allowable growth figures for the program for FY 2004-2005, and distributed a graph depicting the number of school districts receiving program dollars broken down by district enrollment size. It was observed that, in general, larger-sized school districts more frequently apply to the SBRC; that the program operates on a 75 percent allowable growth, 25 percent local effort basis; and that dropout and dropout prevention programs are growing. Mr. Morley summarized the statutory basis for the programs, program requirements, integration of the requirements into the comprehensive school improvement process, and the local review process for at-risk students. Committee discussion included calculation of the average dropout rate each year and availability of programs in low-property-tax-valuation districts.

Next Meeting. The third and final meeting of the School Finance Formula Review Committee will be held on Thursday, December 16, 2004, at 10:00 a.m. in Room 24 at the State Capitol. The meeting will be devoted to consideration of recommendations to the General Assembly and the Legislative Council.

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Cochairperson: Senator Nancy Boettger

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Overview. The primary focus of the first of three scheduled meetings of the School Finance Formula Review Committee concerned a review of the operation of the school finance formula, a discussion of recent trends regarding designated aspects of the formula's operation, and an overview of the role of the Department of Management in facilitating the operation of the formula.

School Finance Formula Review. Dr. Lee Tack, Iowa Department of Education, provided a comprehensive review of the operation of the school finance formula in Iowa. Dr. Tack identified several goals and principles governing the operation of the formula, including equity in expenditures, property tax relief, uniform aid allocation, predictability, simplicity, pupil-driven operation, local discretion, the establishment of maximum spending controls, and adequacy of funding, and noted that they sometimes operate in conflict with each other. It was also noted that equity in expenditures has historically received emphasis, but that adequacy of expenditures has surfaced more recently as a focus area, both locally and at the national level.

Dr. Tack reviewed the components of combined district cost, including regular district cost, the budget guarantee and the impact of its gradual phase-out, the various forms of supplementary weighting, and special education and area education agency funding. Additionally, levies as an additional funding source were discussed, including the instructional support levy, management levy, physical plant and equipment levy, and debt service levy. The operation of the local option sales tax for school infrastructure was summarized, along with the impact of recent legislative changes on the status of litigation regarding the tax. The operation of the school budget review committee was summarized. State and federal categorical sources of funding were reviewed. Sources of revenue were also examined, with Dr. Tack explaining the operation of the uniform levy, state foundation aid, and the additional levy.

Committee discussion included an explanation that a designated percentage increase in allowable growth does not necessarily translate into that percentage increase in a school district's budget, because the impact of the budget guarantee phase-out and declining enrollment needs to be taken into account. The history of the development of the budget guarantee was discussed, along with the fact that increasingly large guarantees as a proportion of certain school districts' budgets raised equity concerns. The Department of Education was requested to provide more detailed information regarding the impact of the budget guarantee phase-out over time. The impact of a school district's property tax valuation rate on the amount of state aid received was considered, and the impact of increasing the foundation level to one hundred percent state aid was outlined.

Recent Trends. Several trends impacting the operation of the formula were identified. Declining enrollment is anticipated to continue for a long period of time, based on significantly lower numbers of students entering kindergarten in comparison to the number of high school seniors. It was noted that the percentage of students who can be classified as English language learners is increasing, that the percentage of state general fund appropriations going for education can be seen as increasing in the face of an overall decline in appropriations, that the percentage of property taxes going toward education is relatively stable. Also, the number of districts seeking dropout and dropout prevention funding is increasing and the districts are asking for increasingly higher amounts of such funding. A wide fluctuation exists in the amount per pupil school districts are expending for transportation. Property tax valuations decreased last year after several years of increases. The impact of establishing a relatively low allowable growth amount on adequacy of funding was mentioned, as was incorporating certain categorical funding sources or levies into the formula.

Department of Management. Ms. Lisa Oakley, Department of Management, provided an overview of the role and responsibilities of the department relating to school finance and the annual school budget and tax certification process, including the provision of forms, instructions, and technical assistance relating to budget estimates; certification of property tax levies; and performance of specified statutory school finance formula calculations.

Next Meeting. The date, time, and location of the next meeting of the School Finance Formula Review Committee will be announced. Potential topics identified by committee members for discussion at upcoming meetings included transportation funding; the number of levies, elimination of outdated levies, and incorporation of levies into the formula; property tax valuation and relief issues; the statutorily established date by which allowable growth must be determined; partnering with community colleges and promoting more of a seamless system; coping with the impact of declining enrollment and the budget guarantee phase-out; obtaining the perspectives of various organizations and school district personnel regarding the operation of the formula; and the development of models by the Department of Education relating to incorporation of categorical funding sources and specified levies into the formula.

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